

A nonprofit organization created to make loans to business entities as an inducement to locate in an economically depressed area in order to alleviate unemployment may be exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The Internal Revenue Service has been asked whether a nonprofit organization formed and operated as described below may be exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The organization was formed to promote social welfare in the community by making loans to business entities to enable them to purchase or develop land and facilities in order to locate new industry in an economically depressed area for the purpose of alleviating unemployment.

The operating funds of the organization are derived from loans and contributions. Financial assistance is offered only if it will provide more than temporary alleviation of unemployment.

The use of such funds is restricted to loans for the purchase of land and buildings. Such loans are not available on the same terms from commercial sources.

Section 501(c)(4) of the Code provides for the exemption of civic leagues or other organizations not formed or operated for profit, and operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community by working to bring about civil betterments and social improvements.

By encouraging industry to settle in an economically depressed area, the organization is helping alleviate unemployment and is being operated to bring about civic betterment and social improvement. See Rev. Rul. 64-187, C.B. 1964-1 (Part 1), 187. Accordingly, it qualifies for exemption from Federal income tax under section 501(c)(4) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(4) of the Code, file an application on Form 1024, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.